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SUBJECT: GOB FORGES AHEAD TO HELP FTA DREAM BECOME A
BUSINESS REALITY

1. SUMMARY: Bahrain's government and business community are actively pursuing ways to make the Free Trade Agreement (FTA) with the United States become a powerhouse for the economy, as responsibility begins to shift from the government to the private sector. Seeking to strengthen commercial ties with the United States, whether through support of an AmCham in Bahrain or by sending to and receiving from the United States business delegations, the GoB is in strong support of business objectives. The business community, too, is beginning to look outside its borders to benefit from the Jordanian FTA experience, to learn from it and to replicate its success. Interministerial and government to business dialog are boosting Bahraini business confidence that FTA is a good thing that can work for them if they decide to take responsibility for its success. END SUMMARY

COMMERCE MINISTER PLEDGES PARTNERSHIP WITH CHARGE

2. In his initial meeting with CDA on June 16, Commerce Minister Ali Saleh Al Saleh noted that we have much work ahead to make the dream of the "era of FTA" a reality for business. The Commerce ministry, he stressed, will exert every effort to help the private sector achieve success. Saleh said that he wants to see Bahrain become a model for the region and the economic envy of its neighbors. Making Bahrain the regional base for American companies and investors, he emphasized, is one way to accomplish this goal. The Minister agreed with the CDA regarding the importance of establishing an American Chamber of Commerce as a mechanism for U.S. business to learn about Bahrain and to penetrate the region. To strengthen an AMCHAM Bahrain's chances for success, the Minister noted that he had facilitated an unprecedented cabinet decision to authorize registration of the AMCHAM with the Ministry of Commerce rather than the Ministry of Labor.

3. Minister Saleh noted that the office of Assistant Undersecretary of Foreign Trade Relations Shaikh Daij Al Khalifa is charged with creating a post-FTA five year plan for the Ministry of Commerce to help Bahrain capitalize on the FTA. Shaikh Daij added that the GOB made public in a June 15 press conference that it would establish permanent contact with the private sector on FTA. Further, an interministerial committee under Ministry of Finance leadership is creating an action plan to follow up on FTA implementation.

4. The Minister noted that he had reserved E-commerce and entrepreneurship as the Commerce Ministry's areas of responsibility for post-FTA promotion. He highlighted that Microsoft has joined with the GOB to develop e-government and is working on a five year plan to boost the commercial IT sector, but Saleh said he would like to see more assistance and cooperation in this arena. Further, working together with the Bahrain Chamber of Commerce and Industry, and in the future hopefully with AmCham membership as well, the Minister envisions young people creating companies, not just jobs. Capitalizing on U.S. entrepreneurial spirit and expertise, the Minister hopes to send a specialized delegation to the United States to discover how to promote these issues and encourage these new developments.

PRIME MINISTER MAKES FTA SUCCESS A PRIORITY

5. Upon his return to Bahrain, Prime Minister Shaikh Khalifa bin Salman Al Khalifa publicly praised the FTA and urged Bahraini businesses to exert every effort to make the agreement a success. Bahrain Chamber of Commerce and Industry (BCCI) Chairman Khalid Kanoo told POL/ECON Chief on June 10 that the Prime Minister had reiterated his public message in a private meeting with the BCCI board of directors. Kanoo pledged that BCCI would aggressively develop post-FTA business promotion.

BCCI LOOKS TO JORDAN FOR FTA ADVICE

16. BCCI invited Jordanian trade expert Rasim Samih Abdul Rahim to address the BCCI membership June 7 on methods for the private sector to benefit from the Free Trade Agreement (FTA) with the United States. Abdul Rahim served as an advisor for the FTA Unit in the Support and Developing Business Environment program in Jordan. He is also working as an International Advisor to the International Trade Organization and UNCTAD and is a member of several specialized professional international associations. Abdul Rahim noted that all countries have benefited from an FTA with the United States. The agreement's effectiveness, he continued, will depend on how businesses take advantage of the agreement, which sets up a framework to develop investment opportunities between the two countries. Like the FTA with Jordan, the economic goal of Bahrain's FTA with the US, he said, was to establish clear trade regulations to promote mutual trade and to encourage innovation. This would strengthen friendly ties, improve the country's economic relationship with the US, improve the standard of living in Bahrain, facilitate investment opportunities, and achieve sustainable development. Abdul Rahim highlighted the exemption of custom duties on consumer products, and industrial, agriculture, and electronic goods, including the protection of intellectual property rights and labor rights along with commitments to protect the environment.

17. Abdul Rahim stated that the US-Jordan FTA had produced a huge increase in Jordan's exports to the US following the signing of the agreement. To duplicate that outcome in Bahrain, Abdul Rahim stressed the responsibility of the business community in implementing the FTA. The private sector, he noted, must examine the provisions of the agreement in order to facilitate access into the international market and to realize the best investment opportunities presented by the agreement. Other countries' experience could provide useful lessons. He recommended that Bahrain's private sector establish a strong commercial presence in US markets. Jordanian companies that had opened branches in the US had achieved much success. Abdul Rahim highlighted the role of the Jordanian Chamber of Commerce and Industry in studying anticipated commercial and investment opportunities. He called upon Bahrain's business community to strengthen their relationship with the Chamber of Commerce, and to participate in their efforts to inform citizens about business opportunities opened by the FTA. He also stressed the importance of cooperation between the public and private sectors for identifying and exploiting new business relationships.

18. BCCI Vice Chairman Chairman of the BCCI FTA Steering Committee Essam Fakhro commented that once the agreement is signed, responsibility for its success will be transferred from the government to the private sector. Increased competition will bring new challenges to the private sector. Fakhro stressed that BCCI is conducting a comprehensive program conducted to inform Bahrain's business community of the opportunities the FTA presents.

COMMENT:

19. FTA negotiations have begun a remarkable development in Bahrain: Ministries have started coordinating and cooperating to achieve ends that are beneficial to Bahrain as a whole. The creation of an interministerial committee to follow up on FTA implementation would not have been possible as little as two years ago. Further, the Government and business communities are talking frequently, and the Government is showing business its strong support. The business community is also beginning to look independently for ways to make the FTA work for them, and as a first step toward broadening this horizon, have opened up to the Jordanian business community, to profit from their experience. If Bahrain's business community continues on this trajectory and continues to receive the support and encouragement it clearly needs from government officials, they will make FTA a success for Bahrain. END COMMENT

WILLIAMSON